

SUPPORT OF SALARIES AND WAGES

States and other entities receiving Federal funds (including State-administered subgrants) must support payments to personnel charged to the Federal award (or claimed toward any matching or cost sharing requirement) by complete and accurate record-keeping of time and effort. Each set of OMB Cost Circulars, applicable to different types of entities, has slightly different requirements, as summarized below. We highly encourage you to become knowledgeable about the applicable requirements, discuss them with your Even Start subgrantees, and monitor for compliance with them, to ensure proper expenditure of Federal funds and help avoid potential audit findings.

States, local governments (e.g., local educational agencies), and Indian tribes (OMB Cost Circular A-87, Attachment B.8.h.):

- *In general:* Salaries and wages charged to the Federal award or claimed toward matching (whether treated as a direct or indirect cost) must be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the governmental unit.
- *Employees working solely on a single Federal award or cost objective:* salaries and wages must be supported by semi-annual certifications that the employees worked solely on that program for the period covered by the certification, and signed by the employee or supervisory official having first hand knowledge of the work performed.
- *Employees working on multiple activities or cost objectives:* salaries and wages must be supported by personnel activity reports or equivalent documentation unless the cognizant Federal agency has approved a substitute system. The documentary support must:
 - Reflect an after-the fact distribution of the employee's actual activity
 - Account for the total activity for which the employee is compensated
 - Be prepared at least monthly and to coincide with one or more pay periods
 - Be signed by the employee.

Non-profit organizations (including Indian tribal organizations) (OMB Cost Circular A-122, Attachment B.8.m.):

- *In general:* Salaries and wages charged to the Federal award or claimed toward matching (whether treated as a direct or indirect cost) must be based on documented payrolls approved by a responsible official of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, unless the cognizant agency has approved a substitute system.
- *All employees (professionals and nonprofessionals) whose salaries are charged in part or whole to the Federal grant directly, are charged to support indirect costs and whose work involves two or more functions or activities, or whose salaries are claimed toward matching:* Reports (e.g., time distribution reports) reflecting the distribution of activity of each employee must:
 - Reflect an after-the fact determination of the employee's actual activity
 - Account for the total activity for which the employee is compensated and which is required in fulfillment of their obligations to the organization

- Be signed by the employee, or by a responsible supervisory official having first hand knowledge of the employee's activities, that the distribution of activity represents a reasonable estimate of the actual work performed
 - Be prepared at least monthly and must coincide with one or more pay periods.
- *Nonprofessional employees:* Salaries and wages also must be supported by records indicating the total number of hours worked each day maintained in conformance with Department of Labor regulations (29 CFR Part 516).

Institutions of higher education (OMB Cost Circular A-21, J.10.)

- *In general:* Salaries and wages charged to the Federal award or claimed toward matching (whether treated as a direct or indirect cost) must conform to the established policies of the institution, consistently applied, and supported with required documentation. Distribution of salaries and wages (whether treated as direct or indirect charges) must be based on payrolls documented in accordance with the generally accepted practices of the college or university.
- *Distribution of charges for all personal services:* A number of different methods may be used (e.g., plan confirmation, or after-the-fact time distribution records). All methods must:
 - Have a payroll system that:
 - Is incorporated into the official records of the institution
 - Reasonably reflects the activity for which the employee is compensated by the institution
 - Encompasses both sponsored and all other activities on an integrated basis
 - May reflect categories of activities expressed as a percentage distribution of total activities.
 - Recognize the principle of after-the-fact confirmation or determination, so that costs distributed represent actual costs unless a mutually satisfactory alternative agreement is reached.
 - Allow confirmation of activity allocable to each sponsored agreement and each of the categories of activity to which they are allocable.
- *Timing of after-the fact activity (time distribution) records:* for professorial and professional staff, prepare reports each academic term but at least every six months; for other employees, prepare reports at least monthly and to coincide with one or more pay periods.